11 September 2018

Unaudited results for the first quarter ended 31 July 2018

	2018	2017	Growth[1]
	£m	£m	%
Underlying results[2]			
Rental revenue	961.0	828.8	19%
EBITDA	503.7	431.1	20%
Profit before taxation	285.6	238.5	23%
Earnings per share	44.8p	31.5p	46%
Statutory results			
Revenue	1,047.4	880.1	22%
Profit before taxation	274.4	228.9	23%
Profit after taxation	209.9	150.0	44%
Earnings per share	43.0p	30.2p	47%

Highlights

- Revenue up 22%[1]; rental revenue up 19%[1]
- Pre-tax profit[2] of £286m (2017: £238m)
- Earnings per share[2] up 46%[1] to 44.8p (2017: 31.5p)
- Post-tax profit of £210m (2017: £150m)
- £465m of capital invested in the business (2017: £377m)
- £51m of free cash flow generation[3] (2017: £51m)
- £145m spent on bolt-on acquisitions (2017: £116m)
- Net debt to EBITDA leverage[1] of 1.6 times (2017: 1.7 times)

[1] Calculated at constant exchange rates applying current period exchange rates.
[2] Underlying results are stated before intangible amortisation.
[3] Throughout this announcement we refer to a number of alternative performance measures which are defined in the Glossary on page 25.

Ashtead's chief executive, Geoff Drabble, commented:

"The Group delivered a strong quarter with rental revenue increasing 19% and underlying pre-tax profit increasing 23% to £286m, both at constant exchange rates.

Our end markets remain strong and are supported by continued structural change as customers rely increasingly on rental while we leverage the benefits of scale. We continue to execute well on our strategy through a combination of organic growth and bolt-on acquisitions, investing £465m by way of capital expenditure and £145m on bolt-on acquisitions in the quarter.

Our strong margins and lower replacement capital expenditure are delivering good earnings growth and significant free cash flow generation. This provides us with significant operational and financial flexibility, enabling us to invest in the long-term structural growth opportunity and enhance returns to shareholders while maintaining leverage within our target range of 1.5 to 2.0 times net debt to EBITDA.

We have spent £300m to date under the share buyback programme announced in December 2017. In line with our capital allocation priorities we have decided to increase and extend our current buyback plans. The level of share buyback will be increased to £125m per quarter resulting in a total outlay of £675m under the programme announced in December 2017. The programme will be extended for financial year 2019/20 with an anticipated spend of at least £500m.

Our business is performing well in supportive end markets. With the benefit of weaker sterling, we expect full year results to be ahead of our expectations and the Board continues to look to the medium term with confidence."

<u>Contacts</u>:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Michael Pratt	Finance director	
Will Shaw	Director of Investor Relations	
Neil Bennett	Maitland	+44 (0)20 7379 5151
James McFarlane	Maitland	

Geoff Drabble, Brendan Horgan and Michael Pratt will hold a conference call for equity analysts to discuss the results and outlook at 8.30am on Tuesday, 11 September 2018. The call will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available via the website from shortly after the call concludes. A copy of this announcement and the slide presentation used for the call are available for download on the Company's website. The usual conference call for bondholders will begin at 4.00pm (11.00am EST).

Analysts and bondholders have already been invited to participate in the analyst call and conference call for bondholders but any eligible person not having received dial-in details should contact the Company's PR advisers, Maitland (Audrey Da Costa) at +44 (0)20 7379 5151.

<u>Forward looking statements</u>

This announcement contains forward looking statements. These have been made by the directors in good faith using information available up to the date on which they approved this report. The directors can give no assurance that these expectations will prove to be correct. Due to the inherent uncertainties, including both business and economic risk factors underlying such forward looking statements, actual results may differ materially from those expressed or implied by these forward looking statements. Except as required by law or regulation, the directors undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

Trading results

	Revenue		EBITDA		Operating profit	
	2018	2017	2018	2017	2018	2017
Sunbelt US in $m	1,167.5	967.9	590.6	496.3	385.8	316.6
Sunbelt Canada in C$m	76.9	19.7	28.3	9.4	14.3	4.1
Sunbelt US in £m	877.4	749.8	443.8	384.4	289.9	245.2
A-Plant	125.6	118.8	47.5	44.7	22.2	22.4
Sunbelt Canada in £m	44.4	11.5	16.3	5.5	8.3	2.4
Group central costs	-	-	(3.9)	(3.5)	(4.0)	(3.5)
	1,047.4	880.1	503.7	431.1	316.4	266.5
Interest expense					(30.8)	(28.0)
Profit before amortisation and tax					**285.6**	**238.5**
Amortisation					(11.2)	(9.6)
Profit before taxation					274.4	228.9
Taxation charge					(64.5)	(78.9)
Profit attributable to equity holders of the Company					209.9	150.0
Margins						
Sunbelt US			*50.6%*	*51.3%*	*33.0%*	*32.7%*
A-Plant			*37.8%*	*37.6%*	*17.6%*	*18.9%*
Sunbelt Canada			*36.8%*	*47.7%*	*18.6%*	*20.9%*
Group			*48.1%*	*49.0%*	*30.2%*	*30.3%*

Group revenue for the quarter increased 19% to £1,047m (2017: £880m) with good growth in each of our markets. This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £286m (2017: £238m).

The Group's strategy remains unchanged with growth being driven by strong organic growth (same-store and greenfield) supplemented by bolt-on acquisitions. Sunbelt US, A-Plant and Sunbelt Canada delivered 19%, 5% and 243% rental only revenue growth respectively. The significant growth in Sunbelt Canada reflects the impact of recent acquisitions, most notably the acquisition of CRS in August 2017.

Sunbelt US's revenue growth continues to benefit from cyclical and structural trends and can be explained as follows:

		$m
2017 rental only revenue		734
Organic (same-store and greenfields)	+17%	124
Bolt-ons since 1 May 2017	+2%	14
2018 rental only revenue	+19%	872
Ancillary revenue	+15%	212
2018 rental revenue	+18%	1,084
Sales revenue	+69%	84
2018 total revenue	+21%	1,168

Sunbelt US's revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets through a combination of organic growth (same-store growth and greenfields) and bolt-ons as we expand our geographic footprint and our specialty businesses. We added 30 new stores in the US in the quarter, the majority of which were specialty locations.

Rental only revenue growth was 19% in strong end markets. This growth was driven by increased fleet on rent, with yield also positive year-over-year. Average three month physical utilisation was 73% (2017: 73%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 21% to $1,168m (2017: $968m).

A-Plant generated rental only revenue of £95m, up 5% on the prior year (2017: £91m). This was driven by increased fleet on rent, partially offset by yield. The adverse yield reflects a combination of product mix and rate pressure in the competitive UK market. A-Plant's total revenue increased 6% to £126m (2017: £119m).

In Canada, the acquisitions of CRS and Voisin's are distortive to year-over-year comparisons as they have tripled the size of the Sunbelt Canada business. For western Canada, rental only revenue growth was 26% in the quarter, driven by increased fleet on rent. For Sunbelt Canada overall, total revenue was C$77m (2017: C$20m) in the quarter.

We continue to focus on operational efficiency and improving margins. In Sunbelt US, 50% of revenue growth dropped through to EBITDA. The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of greenfield openings and acquisitions. This resulted in an EBITDA margin of 51% (2017: 51%) and contributed to a 22% increase in operating profit to $386m (2017: $317m).

While the UK market remains competitive, A-Plant's focus on driving improved performance within the existing business resulted in drop-through of 83%. This contributed to an EBITDA margin of 38% (2017: 38%) and an operating profit of £22m (2017: £22m).

Reflecting the strong performance of the divisions, Group underlying operating profit increased 19% to £316m (2017: £267m). Net financing costs increased to £31m (2017: £28m) reflecting higher average debt levels. As a result, Group profit before amortisation of intangibles and taxation was £286m (2017: £238m). After a tax charge of 24% (2017: 34%) of the underlying pre-tax profit, underlying earnings per share increased 42% to 44.8p (2017: 31.5p). The reduction in the Group's underlying tax charge from 34% to 24% reflects the reduction in the US federal rate of tax from 35% to 21% with effect from 1 January 2018, following the enactment of the Tax Cuts and Jobs Act of 2017. The underlying cash tax charge was 6%.

With amortisation of £11m (2017: £10m), statutory profit before tax was £274m (2017: £229m). After a tax charge of 24% (2017: 34%), basic earnings per share were 43.0p (2017: 30.2p).

Capital expenditure and acquisitions

Capital expenditure for the quarter was £465m gross and £415m net of disposal proceeds (2017: £377m gross and £354m net). This level of capital expenditure is in line with our expectations at this stage of the year. Reflecting this investment, the Group's rental fleet at 31 July 2018 at cost was £7.3bn. Our average fleet age is now 32 months (2017: 29 months).

We invested £145m (2017: £116m), including acquired debt, in five bolt-on acquisitions during the period as we continue to both expand our footprint and diversify into specialty markets.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 July 2018 was 24% (2017: 22%). In the UK, return on investment (excluding goodwill and intangible assets) was 11% (2017: 13%). In Canada, return on investment (excluding goodwill and intangible assets) was 12% (2017: 7%). For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2017: 18%).

Cash flow and net debt

As expected, debt increased during the quarter as we continued to invest in the fleet and made a number of bolt-on acquisitions. In addition, weaker sterling increased reported debt by £122m. During the quarter, we spent £93m on share buybacks.

In July, the Group issued $600m 5.25% senior secured notes maturing in August 2026. The proceeds of the issue were used to pay related fees and expenses and repay an element of the amount outstanding under the senior credit facility. This ensures our debt package remains well structured and flexible, enabling us to take advantage of prevailing end market conditions. The Group's debt facilities are now committed for an average of six years.

Net debt at 31 July 2018 was £3,033m (2017: £2,569m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA was 1.6 times (2017: 1.7 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 1.5 to 2 times.

At 31 July 2018, availability under the senior secured debt facility was $1,468m, with an additional $2,703m of suppressed availability – substantially above the $310m level at which the Group's entire debt package is covenant free.

Capital allocation

In line with our capital allocation priorities we have decided to increase and extend our current buyback plans. The level of share buyback will be increased to £125m per quarter, resulting in an outlay of £675m under the programme announced in December 2017. The programme will be extended for financial year 2019/20 with an anticipated spend of at least £500m.

Current trading and outlook

Our business is performing well in supportive end markets. With the benefit of weaker sterling, we expect full year results to be ahead of our expectations and the Board continues to look to the medium term with confidence.

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2018

	2018			2017		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Unaudited						
Revenue						
Rental revenue	961.0	-	961.0	828.8	-	828.8
Sale of new equipment, merchandise and consumables	38.5	-	38.5	30.9	-	30.9
Sale of used rental equipment	47.9	-	47.9	20.4	-	20.4
	1,047.4	-	1,047.4	880.1	-	880.1
Operating costs						
Staff costs	(231.5)	-	(231.5)	(203.6)	-	(203.6)
Used rental equipment sold	(39.4)	-	(39.4)	(19.4)	-	(19.4)
Other operating costs	(272.8)	-	(272.8)	(226.0)	-	(226.0)
	(543.7)	-	(543.7)	(449.0)	-	(449.0)
EBITDA*	503.7	-	503.7	431.1	-	431.1
Depreciation	(187.3)	-	(187.3)	(164.6)	-	(164.6)
Amortisation of intangibles	-	(11.2)	(11.2)	-	(9.6)	(9.6)
Operating profit	316.4	(11.2)	305.2	266.5	(9.6)	256.9
Interest expense	(30.8)	-	(30.8)	(28.0)	-	(28.0)
Profit on ordinary activities before taxation	285.6	(11.2)	274.4	238.5	(9.6)	228.9
Taxation	(67.2)	2.7	(64.5)	(82.0)	3.1	(78.9)
Profit attributable to equity holders of the Company	218.4	(8.5)	209.9	156.5	(6.5)	150.0
Basic earnings per share	44.8p	(1.8p)	43.0p	31.5p	(1.3p)	30.2p
Diluted earnings per share	44.6p	(1.8p)	42.8p	31.3p	(1.3p)	30.0p

***** EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders.

All revenue and profit is generated from continuing operations.

Details of principal risks and uncertainties are given in the Review of Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 JULY 2018

	Unaudited	
	2018	2017
	£m	£m
Profit attributable to equity holders of the Company for the period	209.9	150.0
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	102.9	(24.8)
Total comprehensive income for the period	312.8	125.2

CONSOLIDATED BALANCE SHEET AT 31 JULY 2018

	Unaudited 31 July 2018	Unaudited 31 July 2017	Audited 30 April 2018
			£m
Current assets			
Inventories	65.9	43.3	55.2
Trade and other receivables	777.6	606.4	669.4
Current tax asset	20.6	0.1	23.9
Cash and cash equivalents	10.1	7.4	19.1
	874.2	657.2	767.6
Non-current assets			
Property, plant and equipment			
- rental equipment	4,931.6	4,278.6	4,430.5
- other assets	484.0	422.5	451.5
	5,415.6	4,701.1	4,882.0
Goodwill	969.8	819.4	882.6
Other intangible assets	224.8	177.1	206.3
Net defined benefit pension plan asset	4.4	-	4.5
	6,614.6	5,697.6	5,975.4
Total assets	7,488.8	6,354.8	6,743.0
Current liabilities			
Trade and other payables	719.7	566.7	617.5
Current tax liability	19.8	38.7	13.1
Short-term borrowings	2.7	2.6	2.7
Provisions	37.3	21.9	25.8
	779.5	629.9	659.1
Non-current liabilities			
Long-term borrowings	3,040.8	2,573.6	2,728.4
Provisions	28.9	22.0	34.6
Deferred tax liabilities	904.2	1,040.4	794.0
Net defined benefit pension plan liability	-	3.8	-
	3,973.9	3,639.8	3,557.0
Total liabilities	4,753.4	4,269.7	4,216.1
Equity			
Share capital	49.9	49.9	49.9
Share premium account	3.6	3.6	3.6
Capital redemption reserve	6.3	6.3	6.3
Own shares held by the Company	(254.8)	-	(161.0)
Own shares held by the ESOT	(24.4)	(20.0)	(20.0)
Cumulative foreign exchange translation differences	228.7	216.2	125.8
Retained reserves	2,726.1	1,829.1	2,522.3
Equity attributable to equity holders of the Company	2,735.4	2,085.1	2,526.9
Total liabilities and equity	7,488.8	6,354.8	6,743.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2018

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
Unaudited								
At 1 May 2017	49.9	3.6	6.3	-	(16.7)	241.0	1,686.0	1,970.1
Profit for the period	-	-	-	-	-	-	150.0	150.0
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(24.8)	-	(24.8)
Total comprehensive income for the period	-	-	-	-	-	(24.8)	150.0	125.2
Own shares purchased by the ESOT	-	-	-	-	(10.2)	-	-	(10.2)
Share-based payments	-	-	-	-	6.9	-	(5.3)	1.6
Tax on share-based payments	-	-	-	-	-	-	(1.6)	(1.6)
At 31 July 2017	49.9	3.6	6.3	-	(20.0)	216.2	1,829.1	2,085.1
Profit for the period	-	-	-	-	-	-	818.8	818.8
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(90.4)	-	(90.4)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	8.7	8.7
Tax on defined benefit pension plan	-	-	-	-	-	-	(1.5)	(1.5)
Total comprehensive income for the period	-	-	-	-	-	(90.4)	826.0	735.6
Dividends paid	-	-	-	-	-	-	(140.5)	(140.5)
Own shares purchased by the Company	-	-	-	(161.0)	-	-	-	(161.0)
Share-based payments	-	-	-	-	-	-	5.4	5.4
Tax on share-based payments	-	-	-	-	-	-	2.3	2.3
At 30 April 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the period	-	-	-	-	-	-	209.9	209.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	102.9	-	102.9
Total comprehensive income for the period	-	-	-	-	-	102.9	209.9	312.8
Own shares purchased by the ESOT	-	-	-	-	(13.8)	-	-	(13.8)
Own shares purchased by the Company	-	-	-	(93.8)	-	-	-	(93.8)
Share-based payments	-	-	-	-	9.4	-	(7.6)	1.8
Tax on share-based payments	-	-	-	-	-	-	1.5	1.5
At 31 July 2018	49.9	3.6	6.3	(254.8)	(24.4)	228.7	2,726.1	2,735.4

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2018

	Unaudited	
	2018	2017
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	437.1	382.9
Payments for rental property, plant and equipment	(388.8)	(306.4)
Proceeds from disposal of rental property, plant and equipment	43.6	48.5
Cash generated from operations	91.9	125.0
Financing costs paid (net)	(13.0)	(32.8)
Tax paid (net)	(2.7)	(9.7)
Net cash generated from operating activities	76.2	82.5
Cash flows from investing activities		
Acquisition of businesses	(115.9)	(120.0)
Payments for non-rental property, plant and equipment	(26.9)	(34.3)
Proceeds from disposal of non-rental property, plant and equipment	1.7	2.8
Net cash used in investing activities	(141.1)	(151.5)
Cash flows from financing activities		
Drawdown of loans	713.1	117.2
Redemption of loans	(550.3)	(36.0)
Capital element of finance lease payments	(0.3)	(0.9)
Purchase of own shares by the ESOT	(13.8)	(10.2)
Purchase of own shares by the Company	(93.1)	-
Net cash generated from financing activities	55.6	70.1
(Decrease)/increase in cash and cash equivalents	(9.3)	1.1
Opening cash and cash equivalents	19.1	6.3
Effect of exchange rate difference	0.3	-
Closing cash and cash equivalents	10.1	7.4

Reconciliation of net cash flows to net debt

	2018	2017
Decrease/(increase) in cash in the period	9.3	(1.1)
Increase in debt through cash flow	162.5	80.3
Change in net debt from cash flows	171.8	79.2
Debt acquired	26.9	-
Exchange differences	121.5	(40.0)
Non-cash movements:		
- deferred costs of debt raising	0.9	0.6
- capital element of new finance leases	0.3	1.3
Increase in net debt in the period	321.4	41.1
Net debt at 1 May	2,712.0	2,527.7
Net debt at 31 July	3,033.4	2,568.8

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated interim financial statements as at, and for the three months ended, 31 July 2018 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the three months ended 31 July 2018 were approved by the directors on 10 September 2018.

The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2018 were approved by the directors on 18 June 2018 and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

The condensed consolidated interim financial statements for the three months ended 31 July 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union (including IAS 34, Interim Financial Reporting). The condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2018.

The following new standards are mandatory for the first time for the financial year beginning 1 May 2018:

- IFRS 9, 'Financial instruments' ('IFRS 9'), relates to the classification, measurement and recognition of financial assets and liabilities, impairment of financial assets and hedge accounting.

  There have been no changes to the classification or measurement of the Group's financial assets or liabilities as a result of our adoption of IFRS 9, and no changes to the Group's level of provisioning as a result of our adoption of IFRS 9. The Group has no current arrangements to which it applies hedge accounting.

- IFRS 15, 'Revenue from Contracts with Customers' ('IFRS 15'), provides a five-step model of accounting for revenue recognition which includes identifying the contract, identifying performance obligations, determining the transaction price, allocating the transaction price to different performance obligations and the timing of recognition of revenue in connection to different performance obligations.

  The Group's adoption of IFRS 15 has had no impact as our accounting policies were already in line with IFRS 15.

The Directors have adopted various alternative performance measures to provide additional useful information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined within these condensed consolidated interim financial statements and summarised in the Glossary on page 25.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Basis of preparation (continued)

The condensed consolidated interim financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see note 10), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the condensed consolidated interim financial statements.

The exchange rates used in respect of the US dollar ($) and Canadian dollar (C$) are:

	US dollar		Canadian dollar	
	2018	2017	2018	2017
Average for the three months ended 31 July	1.33	1.29	1.74	1.71
At 30 April	1.38	1.29	1.77	1.77
At 31 July	1.31	1.32	1.71	1.65

3. Segmental analysis

Three months to 31 July 2018

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	814.9	110.2	35.9	-	961.0
Sale of new equipment, merchandise and consumables	23.2	9.7	5.6	-	38.5
Sale of used rental equipment	39.3	5.7	2.9	-	47.9
	877.4	125.6	44.4	-	1,047.4
Segment result	289.9	22.2	8.3	(4.0)	316.4
Amortisation					(11.2)
Net financing costs					(30.8)
Profit before taxation					274.4
Taxation					(64.5)
Profit attributable to equity shareholders					209.9

Three months to 31 July 2017

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	711.6	106.7	10.5	-	828.8
Sale of new equipment, merchandise and consumables	22.2	8.3	0.4	-	30.9
Sale of used rental equipment	16.0	3.8	0.6	-	20.4
	749.8	118.8	11.5	-	880.1
Operating profit before amortisation	245.2	22.4	2.4	(3.5)	266.5
Amortisation					(9.6)
Net financing costs					(28.0)
Profit before taxation					228.9
Taxation					(78.9)
Profit attributable to equity shareholders					150.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

At 31 July 2018					
Segment assets	6,144.3	866.5	446.9	0.4	7,458.1
Cash					10.1
Taxation assets					20.6
Total assets					7,488.8
At 30 April 2018					
Segment assets	5,507.6	847.3	344.6	0.5	6,700.0
Cash					19.1
Taxation assets					23.9
Total assets					6,743.0

4. Operating costs and other income

	2018			2017		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 July						
Staff costs:						
Salaries	211.5	-	211.5	186.1	-	186.1
Social security costs	16.1	-	16.1	14.1	-	14.1
Other pension costs	3.9	-	3.9	3.4	-	3.4
	231.5	-	231.5	203.6	-	203.6
Used rental equipment sold	39.4	-	39.4	19.4	-	19.4
Other operating costs:						
Vehicle costs	62.5	-	62.5	49.2	-	49.2
Spares, consumables & external repairs	50.5	-	50.5	44.2	-	44.2
Facility costs	28.9	-	28.9	25.8	-	25.8
Other external charges	130.9	-	130.9	106.8	-	106.8
	272.8	-	272.8	226.0	-	226.0
Depreciation and amortisation:						
Depreciation	187.3	-	187.3	164.6	-	164.6
Amortisation of intangibles	-	11.2	11.2	-	9.6	9.6
	187.3	11.2	198.5	164.6	9.6	174.2
	731.0	11.2	742.2	613.6	9.6	623.2

5. Amortisation

Amortisation relates to the periodic write-off of intangible assets. The Group believes this item should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Underlying profit and earnings per share are stated before amortisation of intangibles.

	Three months to 31 July	
	2018	2017
	£m	£m
Amortisation of intangibles	11.2	9.6
Taxation	(2.7)	(3.1)
	8.5	6.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Interest expense

	Three months to 31 July 2018 £m	Three months to 31 July 2017 £m
Bank interest payable	14.4	10.4
Interest payable on second priority senior secured notes	15.2	16.8
Interest payable on finance leases	0.1	0.1
Non-cash unwind of discount on provisions	0.2	0.1
Amortisation of deferred debt raising costs	0.9	0.6
	30.8	28.0

7. Taxation

The tax charge for the period has been computed using a tax rate of 25% in the US (2017: 38%), 19% in the UK (2017: 19%) and 27% in Canada (2017: 27%). The blended rate for the Group as a whole is 24% (2017: 34%).

The tax charge of £67m (2017: £82m) on the underlying profit before taxation of £286m (2017: £238m) can be explained as follows:

	Three months to 31 July 2018 £m	Three months to 31 July 2017 £m
Current tax		
- current tax on income for the period	18.5	49.2
- adjustments to prior year	(4.0)	-
	14.5	49.2
Deferred tax		
- origination and reversal of temporary differences	50.4	32.8
- adjustments to prior year	2.3	-
	52.7	32.8
Tax on underlying activities	67.2	82.0
Comprising:		
- UK	4.6	5.0
- US	61.2	76.9
- Canada	1.4	0.1
	67.2	82.0

In addition, the tax credit of £3m (2017: £3m) on amortisation of £11m (2017: £10m) consists of a deferred tax credit of £1m (2017: £nil) relating to the UK, £1m (2017: £2m) relating to the US and £1m (2017: £nil) relating to Canada.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2018 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months to 31 July 2018	2017
Profit for the financial period (£m)	209.9	150.0
Weighted average number of shares (m) - basic	487.7	497.5
- diluted	489.9	499.6
Basic earnings per share	43.0p	30.2p
Diluted earnings per share	42.8p	30.0p

Underlying earnings per share (defined in any period as the earnings before amortisation of intangibles for that period divided by the weighted average number of shares in issue in that period) may be reconciled to the basic earnings per share as follows:

	Three months to 31 July 2018	2017
Basic earnings per share	43.0p	30.2p
Amortisation of intangibles	2.3p	1.9p
Tax on amortisation	(0.5p)	(0.6p)
Underlying earnings per share	44.8p	31.5p

9. Property, plant and equipment

	2018		2017	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	4,430.5	4,882.0	4,092.8	4,504.6
Exchange difference	191.2	209.5	(58.1)	(63.4)
Reclassifications	(0.6)	-	(0.3)	-
Additions	437.1	464.8	341.8	376.7
Acquisitions	78.3	87.8	66.0	69.0
Disposals	(39.7)	(41.2)	(18.9)	(21.2)
Depreciation	(165.2)	(187.3)	(144.7)	(164.6)
At 31 July	4,931.6	5,415.6	4,278.6	4,701.1

10. Borrowings

	31 July 2018 £m	30 April 2018 £m
Current		
Finance lease obligations	2.7	2.7
Non-current		
First priority senior secured bank debt	1,309.0	1,508.5
Finance lease obligations	2.7	2.6
5.625% second priority senior secured notes, due 2024	376.5	358.4
4.125% second priority senior secured notes, due 2025	451.3	429.5
5.250% second priority senior secured notes, due 2026	450.2	-
4.375% second priority senior secured notes, due 2027	451.1	429.4
	3,040.8	2,728.4

The senior secured bank debt and the senior secured notes are secured by way of, respectively, first and second priority fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables.

In July, the Group issued $600m 5.25% senior secured notes maturing in August 2026. The proceeds of the issue were used to pay related fees and expenses and repay an element of the amount outstanding under the senior credit facility.

Under the terms of our asset-based senior credit facility, $3.1bn is committed until July 2022. The $500m 5.625% senior secured notes mature in October 2024, the $600m 4.125% senior secured notes mature in August 2025, the $600m 5.25% senior secured notes mature in August 2026 and the $600m 4.375% senior secured notes mature in August 2027. Our debt facilities therefore remain committed for the long term, with an average maturity of six years. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is less than 5%. The terms of the senior secured notes are such that financial performance covenants are only measured at the time new debt is raised.

There is one financial performance covenant under the first priority senior credit facility. That is, the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $310m. As a matter of good practice, we calculate the covenant ratio each quarter. At 31 July 2018, the fixed charge ratio exceeded the covenant requirement.

At 31 July 2018, availability under the senior secured bank facility was $1,468m ($1,115m at 30 April 2018), with an additional $2,703m of suppressed availability, meaning that the covenant did not apply at 31 July 2018 and is unlikely to apply in forthcoming quarters.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Borrowings (continued)

Fair value of financial instruments

At 31 July 2018, the Group had no derivative financial instruments.

With the exception of the Group's second priority senior secured notes detailed in the table below, the carrying value of non-derivative financial assets and liabilities is considered to equate materially to their fair value.

	At 31 July 2018		At 30 April 2018	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
- 5.625% senior secured notes	381.2	391.7	363.0	374.7
- 4.125% senior secured notes	457.4	433.4	435.5	413.8
- 4.375% senior secured notes	457.4	433.4	435.5	407.2
- 5.250% senior secured notes	457.4	460.3	-	-
	1,753.4	1,718.8	1,234.0	1,195.7
Deferred costs of raising finance	(24.3)	-	(16.7)	-
	1,729.1	1,718.8	1,217.3	1,195.7

The fair value of the second priority senior secured notes has been calculated using quoted market prices at 31 July 2018.

11. Share capital

Ordinary shares of 10p each:

	31 July 2018	30 April 2018	31 July 2018	30 April 2018
	Number	Number	£m	£m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

During the period, the Company purchased 4.1m ordinary shares at a total cost of £94m under the share buyback programme announced in December 2017, which are held in treasury. At 31 July 2018, 12.0m (April 2018: 7.9m) shares were held by the Company and a further 1.6m (April 2018: 1.7m) shares were held by the Company's Employee Share Ownership Trust.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. Notes to the cash flow statement

a) Cash flow from operating activities

	Three months to 31 July 2018	Three months to 31 July 2017
	£m	£m
Operating profit before exceptional items and amortisation	316.4	266.5
Depreciation	187.3	164.6
EBITDA before exceptional items	503.7	431.1
Profit on disposal of rental equipment	(8.5)	(1.0)
Profit on disposal of other property, plant and equipment	-	(0.3)
(Increase)/decrease in inventories	(3.6)	0.4
Increase in trade and other receivables	(60.6)	(44.1)
Increase/(decrease) in trade and other payables	4.3	(4.8)
Other non-cash movements	1.8	1.6
Cash generated from operations before exceptional items and changes in rental equipment	437.1	382.9

b) Analysis of net debt

Net debt consists of total borrowings less cash and cash equivalents. Borrowings exclude accrued interest. Foreign currency denominated balances are retranslated to pounds sterling at rates of exchange ruling at the balance sheet date.

			Non-cash movements			
	1 May 2018	Cash flow	Exchange movement	Debt acquired	Other movements	31 July 2018
	£m	£m	£m	£m	£m	£m
Short-term borrowings	2.7	(8.3)	-	7.9	0.4	2.7
Long-term borrowings	2,728.4	170.8	121.8	19.0	0.8	3,040.8
Total liabilities from financing activities	2,731.1	162.5	121.8	26.9	1.2	3,043.5
Cash and cash equivalents	(19.1)	9.3	(0.3)	-	-	(10.1)
Net debt	2,712.0	171.8	121.5	26.9	1.2	3,033.4

			Non-cash movements			
	1 May 2017	Cash flow	Exchange movement	Debt acquired	Other movements	31 July 2017
	£m	£m	£m	£m	£m	£m
Short-term borrowings	2.6	(0.9)	-	-	0.9	2.6
Long-term borrowings	2,531.4	81.2	(40.0)	-	1.0	2,573.6
Total liabilities from financing activities	2,534.0	80.3	(40.0)	-	1.9	2,576.2
Cash and cash equivalents	(6.3)	(1.1)	-	-	-	(7.4)
Net debt	2,527.7	79.2	(40.0)	-	1.9	2,568.8

Details of the Group's cash and debt are given in the Review of Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

12. Notes to the cash flow statement (continued)

c) Acquisitions

	Three months to 31 July	
	2018	2017
	£m	£m
Cash consideration paid:		
- acquisitions in the period	115.9	116.3
- contingent consideration	-	3.7
	115.9	120.0

During the period, five businesses were acquired with cash paid of £116m (2017: £116m), after taking account of net cash acquired of £4m. Further details are provided in Note 13.

Contingent consideration of £nil (2017: £4m) was paid relating to prior year acquisitions.

13. Acquisitions

During the quarter, the following acquisitions were completed:

i) On 1 June 2018, Sunbelt Canada acquired the entire share capital of Voisin's Equipment Rental Ltd. and Universal Rental Services Limited (together 'Voisin's') for an aggregate cash consideration of £18m (C$32m) with contingent consideration of up to £1m (C$2.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £44m (C$76m). Voisin's is a general equipment rental business in Ontario, Canada.

ii) On 29 June 2018, A-Plant acquired the entire share capital of Astra Site Services Limited ('Astra') for a cash consideration of £6m. Including acquired debt, the total cash consideration was £7m. Astra is a hydraulic attachment rental business.

iii) On 3 July 2018, Sunbelt Canada acquired the entire share capital of Richlock Rentals Ltd. ('Richlock') for a cash consideration of £7m (C$13m). Richlock is a general equipment rental business in British Columbia, Canada.

iv) On 17 July 2018, Sunbelt US acquired the business and assets of Wistar Equipment, Inc. ('Wistar') for a cash consideration of £18m ($23m). Wistar is an industrial power rental business in New Jersey.

v) On 20 July 2018, Sunbelt US acquired the entire share capital of Blagrave No 2 Limited, the parent company of Mabey, Inc. ('Mabey') for a cash consideration of £68m ($90m). Mabey is a ground protection and ground works business operating down the east coast of the US.

13. Acquisitions (continued)

The following table sets out the fair value of the identifiable assets and liabilities acquired by the Group. The fair values have been determined provisionally at the balance sheet date.

	Fair value to Group £m
Net assets acquired	
Trade and other receivables	15.6
Inventory	4.7
Property, plant and equipment	
- rental equipment	78.3
- other assets	9.5
Creditors	(10.7)
Debt	(26.9)
Current tax	0.5
Deferred tax	(20.9)
Intangible assets (non-compete agreements, brand names and customer relationships)	21.7
	71.8
Consideration:	
- cash paid and due to be paid (net of cash acquired)	117.9
- contingent consideration payable in cash	1.4
	119.3
Goodwill	47.5

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £7m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £16m. The gross contractual amount for trade receivables due was £17m, net of a £1m provision for debts which may not be collected.

Due to the operational integration of acquired businesses with Sunbelt US, Sunbelt Canada and A-Plant post acquisition, in particular due to the merger of some stores, the movement of rental equipment between stores and investment in the rental fleet, it is not practical to report the revenue and profit of the acquired businesses post acquisition.

The revenue and operating profit of these acquisitions from 1 May 2018 to their date of acquisition was not material.

14. Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business, none of which is expected to have a material impact on the Group's financial position.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the preliminary findings of the European Commission's investigations into the UK legislation are upheld, we have estimated the Group's maximum potential liability to be £30m as at 31 July 2018. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

15. Events after the balance sheet date

Since the balance sheet date, the Group has completed three acquisitions as follows:

i) On 8 August 2018, Sunbelt US acquired the business and assets of Berry Holdings, LLC, trading as Taylor Rental Center ('Taylor'), for a cash consideration of £1m ($1m). Taylor is a general equipment rental business in Ohio.

ii) On 13 August 2018, Sunbelt US acquired the business and assets of Interstate Aerials, LLC ('Interstate') for a cash consideration of £161m ($206m). Interstate is an aerial work platform rental business in Philadelphia and northern New Jersey.

iii) On 5 September 2018, Sunbelt US acquired the business and assets of Equipment 4 Rent ('E4R') for a cash consideration of £13m ($17m). E4R is an aerial work platform business in Massachusetts.

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2018, their contribution to revenue and operating profit would not have been material.

REVIEW OF BALANCE SHEET AND CASH FLOW

Fixed assets

Capital expenditure in the quarter totalled £465m (2017: £377m) with £437m invested in the rental fleet (2017: £342m). Expenditure on rental equipment was 94% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2018 Replacement	2018 Growth	2018 Total	2017 Total
Sunbelt US in $m	124.7	366.4	491.1	378.4
Sunbelt Canada in C$m	14.2	43.7	57.9	2.4
Sunbelt US in £m	95.0	279.4	374.4	287.0
A-Plant	15.0	13.8	28.8	53.3
Sunbelt Canada in £m	8.3	25.6	33.9	1.5
Total rental equipment	118.3	318.8	437.1	341.8
Delivery vehicles, property improvements & IT equipment			27.7	34.9
Total additions			464.8	376.7

In a strong US rental market, $366m of rental equipment capital expenditure was spent on growth while $125m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 July 2018 was 32 months (2017: 29 months) on a net book value basis. Sunbelt US's fleet had an average age of 32 months (2017: 29 months), A-Plant's fleet had an average age of 33 months (2017: 29 months) and Sunbelt Canada's fleet had an average age of 29 months (2017: 24 months).

	Rental fleet at original cost 31 July 2018	Rental fleet at original cost 30 April 2018	Rental fleet at original cost LTM average	LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
Sunbelt US in $m	8,044	7,552	7,340	4,052	55%	72%
Sunbelt Canada in C$m	560	394	387	230	59%	n/a
Sunbelt US in £m	6,132	5,482	5,445	3,006	55%	72%
A-Plant	881	862	863	409	47%	68%
Sunbelt Canada in £m	328	223	226	134	59%	n/a
	7,341	6,567	6,534	3,549		

Dollar utilisation was 55% at Sunbelt US (2017: 53%), 47% at A-Plant (2017: 51%) and 59% at Sunbelt Canada (2017: 42%). The Sunbelt US dollar utilisation is ahead of where it was a year ago as the drag effect of yield and the increased cost of fleet moderates. The lower A-Plant dollar utilisation reflects the adverse yield effect while Sunbelt Canada has benefitted from the acquisition of CRS. Physical utilisation at Sunbelt US was 72% (2017: 71%) and 68% at A-Plant (2017: 69%).

Trade receivables

Receivable days at 31 July 2018 were 50 days (2017: 49 days). The bad debt charge for the last twelve months ended 31 July 2018 as a percentage of total turnover was 0.6% (2017: 0.8%). Trade receivables at 31 July 2018 of £651m (2017: £515m) are stated net of allowances for bad debts and credit notes of £49m (2017: £41m) with the allowance representing 7.0% (2017: 7.4%) of gross receivables.

Trade and other payables

Group payable days were 58 days in 2018 (2017: 63 days) with capital expenditure related payables, which have longer payment terms, totalling £325m (2017: £274m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Three months to 31 July 2018 £m	Three months to 31 July 2017 £m	LTM to 31 July 2018 £m	Year to 30 April 2018 £m
EBITDA before exceptional items	503.7	431.1	1,805.7	1,733.1
Cash inflow from operations before exceptional items and changes in rental equipment	437.1	382.9	1,735.4	1,681.2
*Cash conversion ratio**	*86.8%*	*88.8%*	*96.1%*	*97.0%*
Replacement rental capital expenditure	(137.7)	(102.4)	(411.1)	(375.8)
Payments for non-rental capital expenditure	(26.9)	(34.3)	(133.8)	(141.2)
Rental equipment disposal proceeds	43.6	48.5	146.9	151.8
Other property, plant and equipment disposal proceeds	1.7	2.8	7.8	8.9
Tax (net)	(2.7)	(9.7)	(90.6)	(97.6)
Financing costs	(13.0)	(32.8)	(90.2)	(110.0)
Cash inflow before growth capex and payment of exceptional costs	**302.1**	**255.0**	**1,164.4**	**1,117.3**
Growth rental capital expenditure	(251.1)	(204.0)	(753.0)	(705.9)
Exceptional costs	-	-	(25.2)	(25.2)
Free cash flow	**51.0**	**51.0**	**386.2**	**386.2**
Business acquisitions	(115.9)	(120.0)	(354.9)	(359.0)
Total cash (absorbed)/generated	**(64.9)**	**(69.0)**	**31.3**	**27.2**
Dividends	-	-	(140.5)	(140.5)
Purchase of own shares by the Company	(93.1)	-	(251.3)	(158.2)
Purchase of own shares by the ESOT	(13.8)	(10.2)	(13.8)	(10.2)
Increase in net debt due to cash flow	**(171.8)**	**(79.2)**	**(374.3)**	**(281.7)**

* Cash inflow from operations before exceptional items and changes in rental equipment as a percentage of EBITDA before exceptional items.

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 14% to £437m. The first quarter cash conversion ratio was 87% (2017: 89%).

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) in the first quarter were £416m (2017: £341m). Disposal proceeds received totalled £45m (2017: £51m), giving net payments for capital expenditure of £371m in the period (2017: £290m). Financing costs paid totalled £13m (2017: £33m) while tax payments were £3m (2017: £10m).

Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges.

Accordingly, in the quarter the Group generated £302m (2017: £255m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth capital expenditure, there was a free cash inflow of £51m (2017: £51m) and, after acquisition expenditure of £116m (2017: £120m), a net cash outflow of £65m (2017: £69m).

Net debt

	31 July 2018 £m	31 July 2017 £m	30 April 2018 £m
First priority senior secured bank debt	1,309.0	1,511.1	1,508.5
Finance lease obligations	5.4	4.9	5.3
6.5% second priority senior secured notes, due 2022	-	686.2	-
5.625% second priority senior secured notes, due 2024	376.5	374.0	358.4
4.125% second priority senior secured notes, due 2025	451.3	-	429.5
5.25% second priority senior secured notes, due 2026	450.2	-	-
4.375% second priority senior secured notes, due 2027	451.1	-	429.4
	3,043.5	2,576.2	2,731.1
Cash and cash equivalents	(10.1)	(7.4)	(19.1)
Total net debt	3,033.4	2,568.8	2,712.0

Net debt at 31 July 2018 was £3,033m with the increase since 30 April 2018 reflecting the net cash outflow set out above and the impact of weaker sterling (£122m). The Group's EBITDA for the twelve months ended 31 July 2018 was £1,806m and the ratio of net debt to EBITDA was 1.6 times at 31 July 2018 (2017: 1.7 times) on a constant currency basis and 1.7 times (2017: 1.6 times) on a reported basis.

Principal risks and uncertainties

Risks and uncertainties in achieving the Group's objectives for the remainder of the financial year, together with assumptions, estimates, judgements and critical accounting policies used in preparing financial information remain broadly unchanged from those detailed in the 2018 Annual Report and Accounts on pages 38 to 41.

The principal risks and uncertainties facing the Group are:

- economic conditions;
- competition;
- financing;
- business continuity;
- people;
- health and safety;
- environmental; and
- laws and regulations.

Further details, including actions taken to mitigate these risks, are provided within the 2018 Annual Report and Accounts.

Our business is subject to significant fluctuations in performance from quarter to quarter as a result of seasonal effects. Commercial construction activity tends to increase in the summer and during extended periods of mild weather and to decrease in the winter and during extended periods of inclement weather. Furthermore, due to the incidence of public holidays in the US, Canada and the UK, there are more billing days in the first half of our financial year than the second half leading to our revenue normally being higher in the first half. On a quarterly basis, the second quarter is typically our strongest quarter, followed by the first and then the third and fourth quarters.

In addition, the current trading and outlook section of the interim statement provides commentary on market and economic conditions for the remainder of the year.

Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. The Group has arranged its financing such that, at 31 July 2018, 89% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 31 July 2018, dollar-denominated debt represented approximately 54% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 July 2018, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £9m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 July		30 April	31 July		30 April
	2018	2017	2018	2018	2017	2018
Sunbelt US	686	627	658	11,793	10,826	11,722
A-Plant	193	189	187	3,622	3,546	3,571
Sunbelt Canada	61	19	54	889	225	688
Corporate office	-	-	-	14	13	15
Group	940	835	899	16,318	14,610	15,996

Sunbelt US's rental store number includes 19 Sunbelt at Lowes stores at 31 July 2018 (2017: 23).

GLOSSARY OF TERMS

The glossary of terms below sets out definitions of terms used throughout this announcement. Included are a number of alternative performance measures ('APMs') which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. The directors use these measures, which are common across the industry, for planning and reporting purposes. These measures are also used in discussions with the investment analyst community and credit rating agencies. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs and should not be considered superior to or a substitute for IFRS measures. Further details are provided in the 2018 Annual Report and Accounts on pages 137 to 139.

Availability: represents the headroom on a given date under the terms of our $3.1bn asset-backed senior credit facility, taking account of current borrowings.

Capital expenditure: represents additions to rental equipment and other tangible assets (excluding assets acquired through a business combination).

Cash conversion ratio: represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of underlying EBITDA. Details are provided within the Review of Balance Sheet and Cash Flow section.

Constant currency: calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within the Basis of Preparation section.

Dollar utilisation: dollar utilisation is trailing 12-month rental revenue divided by average fleet at original (or 'first') cost measured over a 12-month period. Details are shown within the Review of Balance Sheet and Cash Flow section.

EBITDA: EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement.

Drop-through: calculated as the incremental rental revenue which converts into EBITDA.

Exceptional items: those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group.

Fleet age: net book value weighted age of serialised rental assets. Serialised rental assets constitute the substantial majority of our fleet.

Fleet on rent: quantity measured at original cost of our rental fleet on rent.

Free cash flow: cash generated from operating activities less non-rental net property, plant and equipment expenditure. Non-rental net property, plant and equipment expenditure comprises payments for non-rental capital expenditure less disposal proceeds received in relation to non-rental asset disposals.

Leverage: leverage is net debt divided by underlying EBITDA. Leverage calculated at constant exchange rates uses the current balance sheet exchange rate.

Net debt: net debt is total debt less cash balances, as reported. An analysis of net debt is provided in note 12.

Organic: organic measures comprise all locations, excluding locations arising from a bolt-on acquisition completed after the start of the comparative financial period.

Physical utilisation: physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt US is measured only for equipment whose cost is over $7,500, which comprised 88% of its fleet at 31 July 2018.

Return on Investment ("RoI"): last 12-month ("LTM") underlying operating profit divided by the last 12-month average of the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and deferred tax. RoI is used by management to help inform capital allocation decisions within the business and a reconciliation of Group RoI is provided below:

LTM underlying operating profit (£m)	1,087
Average net assets (£m)	6,095
Return on Investment	**18%**

RoI for the businesses is calculated in the same way, but excludes goodwill and intangible assets.

Same-store: same-stores are those locations which were open at the start of the comparative financial period.

Suppressed availability: represents the amount on a given date that the asset base exceeds the facility size under the terms of our $3.1bn asset-backed senior credit facility.

Underlying: underlying results are results stated before exceptional items and the amortisation of acquired intangibles. A reconciliation is shown on the income statement.

Yield: reflects a combination of the rental rate charged, rental period and product and customer mix.